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SUBJECT: TERRORISM FINANCE - SPAIN'S REACTION ON ECI COURT
RULINGS AND EU DESIGNATION SYSTEM

REF: SECSTATE 172518

Classified By: ECONOMIC COUNSELOR WHITNEY BAIRD FOR REASONS 1.4 (B) and
(D).

1. (C) EconOff discussed reftel discussion points with Miguel Enrique Garcia Herraiz, Area Director for EU Terrorism Issues within the MFA's Subdirectorate on International Terrorism. He said that the GOS is pleased with the European Court of First Instance's ruling on the "Swede 3" cases since the ruling strengthens the EU's ability to block terrorist financing and sets a good precedent for other entities that may appeal. Further, the GOS is pleased that the court determined that there had not been a lack of due process and that the EU's legal authority to freeze assets was upheld. Sweden has already indicated to Spain that it is expecting an appeal, a process they predict to last no less than six months.

2. (C) EconOff also opened a dialogue on the other discussion points. Herraiz noted his personal concern that the expansion of the EU could reduce the efficiency of the designation process due to the need to maintain consensus. He emphasized the importance of Spain's national terrorism finance mechanisms as a supplement to those of the EU. Herraiz, who has typically worked primarily with the Spanish police force, also noted personal concern that a greater use of information from the intelligence community could undermine the viability of judicial cases by infringing on the designated individual's rights.

3. (C) Spain's Financial Action Task Force Mutual Evaluation report will be released in February. Herraiz expects the GOS to be fully compliant with all points, with the possible exception of one or two areas of partial compliance. He does not believe that the GOS is fully compliant with Special Recommendation III on asset freezing, and believes this may be noted in the report.

4. (U) Representatives from Spain will attend the proposed Nov. 7-8 working group in London. However, they have yet to receive any official invitation or information about the event. We will maintain a dialogue on the reftel discussion points with the GOS and will report any developments septel.
AGUIRRE